

Message Text

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71-60

ACTION NEA-10

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FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 /083 W

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R 151618Z JAN 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3645

C O N F I D E N T I A L ALGIERS 0088

E.O. 11652: GDS

TAGS: EFIN, IBRD, AG

SUBJ: US VOTE ON IBRD LOAN TO ALGERIA

1. SUMMARY: MINISTRY OF FINANCE OFFICIAL PUZZLED AND ANGERED BY US VOTE AGAINST WORLD BANK CREDITS FOR ALGERIAN CEMENT PROJECT. END SUMMARY.

2. DURING CALL ECONOFF BURNS AND I MADE ON MAHFOUD AOUI, SECRETARY GENERAL OF MINISTRY OF FINANCE JANUARY 14 ON ANOTHER SUBJECT, AOUI RAISED SUBJECT OF US VOTE AGAINST PROPOSED IBRD LOANS FOR CEMENT PLANT PROJECT IN SAIDA. AOUI, OBVIOUSLY UPSET BY US CRITICISM OF TECHNICAL WORK DONE BY IBRD STAFF IN PREPARATION OF REPORT ENTITLED "SNMC EXPANSION PROJECT-ALGERIA," SAID ATTITUDE OF US REPRESENTATIVE WHO VOTED AGAINST PROPOSAL BASED ON MISUNDERSTANDING OF ALGERIAN PROPOSAL AND IGNORANCE ALGERIAN SITUATION.

3. AOUI SAID US HAD CRITICIZED LOANS ON GROUNDS 1) THAT CEMENT PROJECT TOO EXPENSIVE, BUT COST OF PLANT PURCHASED FROM ABROAD OBVIOUSLY BEYOND ALGERIAN CONTROL, 2) THAT PROJECT WOULD HAVE BEEN BETTER LOCATED ON COAST, BUT ALGERIA WAS VAST COUNTRY NOT JUST A NARROW COASTAL
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STRIP, AND HAD RATIONAL PLAN FOR REGIONAL DEVELOPMENT, AND 3) THAT TECHNOLOGY INVOLVED WAS TOO SOPHISTICATED,

BUT ALGERIANS WANTED 20TH CENTURY PLANT, NOT SOMETHING
ALREADY OBSOLETE. ALGERIA WAS LOST IN TRYING TO
UNDERSTAND THESE ARGUMENTS.

4. I SAID HAD BEEN AWARE WE WERE AGAINST LOAN AND
UNDERSTOOD OUR POSITION BASED ON ANALYSIS BY
TECHNICIANS WHO FOUND PROJECT UNECONOMIC. ALSO
UNDERSTOOD, HOWEVER, THAT IBRD HAD APPROVED LOAN IN ANY
CASE. AOUI CONFIRMED THIS, BUT SAID IT WAS PRINCIPLE
INVOLVED THAT WAS IMPORTANT TO ALGERIA. IT WAS RARE
FOR IBRD TO FINANCE INDUSTRIAL PROJECTS. ALGERIA,
HOWEVER, HAD PUSHED FOR APPROVAL SINCE ITS TOTAL LEVEL OF
INVESTMENT WAS NOW 40 PERCENT OF GDP AND 67 PERCENT OF
THAT AMOUNT DEVOTED TO INDUSTRIAL INVESTMENT. INVESTMENT
OUTSIDE OF INDUSTRIAL AREA WAS REALLY MARGINAL FOR
ALGERIA, AND VOTE HAD THUS REPRESENTED TEST CASE AS TO
UTILITY OF BANK FOR ALGERIA. US POSITION HAD MADE
ALGERIA WONDER WHETHER US DID NOT OPPOSE INDUSTRIAL
DEVELOPMENT IN THE LDCS, AND SPECIFICALLY IN ALGERIA.

5. I COUNTERED THAT EXIMBANK LOANS TO ALGERIA HAD SHOWN
THIS CERTAINLY NOT THE CASE. AOUI REPLIED THAT EXIM
CREDITS WERE IN COMMERCIAL DOMAIN WITH HIGH RATE OF
INTEREST, AND THUS WERE SEPARATE ISSUE.

6. COMMENT: QUESTION OF US VOTE ON IBRD CREDIT FOR
CEMENT PLANT IN ALGERIA WAS RAISED WITH ME INFORMALLY
DURING MY CONSULTATIONS IN DECEMBER. MY RECOMMENDATION AT
THAT TIME WAS THAT DECISION BE MADE ON ECONOMIC GROUNDS,
AND I ASSUME THAT OUR ECONOMIC REASONING WAS SOUND. IT
WOULD BE USEFUL TO HAVE FULLER EXPLANATION, HOWEVER, AND
WOULD APPRECIATE RECEIVING TEXT OF STATEMENT MADE BY US
REPRESENTATIVE. IN FUTURE, IT WOULD BE HELPFUL IF EMBASSY
COULD RECEIVE STATEMENTS OF THIS TYPE, ESPECIALLY
THOSE LIKELY TO AROUSE ALGERIAN IRE, IN ADVANCE OF
THEIR DELIVERY.
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